



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0757	Title:	Revise state fund laws
Primary Sponsor:	Rice, Diane	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
Proprietary (06)	Unknown	Unknown	Unknown	Unknown
Revenue:				
Proprietary (06)	Unknown	Unknown	Unknown	Unknown
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

The bill prohibits State Fund from making charitable contributions, paying incentives or bonuses to employees, and, automatically applying an increase on payrolls used for premium estimation on policy renewals. The full fiscal impact cannot be determined.

FISCAL ANALYSIS

Assumptions:

Montana State Fund

1. The Montana State Fund (MSF) expended \$72,363 in FY 2006 charitable giving. The expenditures were for scholarships to dependents of claimants who died in work related accidents and for matching grants to Montana community projects. No expenditures for charitable giving would be made on or after July 1, 2007.
2. The MSF expended \$967,566, including employee benefits, for the FY 2006 Goal Sharing program. The expenditures were based on performance measures established by the Board.
3. The amount of Goal Sharing to be paid year to year is not a fixed amount nor is it an automatic payment to employees. No Goal Sharing payments to employees were made in FY 2004. Goal Sharing payments are based on accomplishment and ratings for various strategic goals approved by the Board. Goal Sharing payments are not a budgeted item for the State Fund. Goal Sharing payments are offset by budget savings developed in all areas of the State Fund budget. Future Goal Sharing payments cannot be determined as

future years' goals, measures, and performance have not been determined. However, as provided in this bill, no expenditures for Goal Sharing would be made on or after July 1, 2007.

4. The payroll increase, automatically applied to payrolls used for estimating premiums on renewal policies, is used to more accurately determine premiums for policyholders and the MSF. The payroll increase factor, applied to a policy at the time of renewal, is based on the last completed payroll which is generally two years old at the time the renewal is being generated.
5. For the four most recent policy quarters the average payroll was actually under estimated by an average of 8% from the original estimated payroll at the time the account was renewed. The average premium under estimation was 11% as a result.
6. Premium under estimation among smaller accounts (policies up to \$12,000 in annual premium) was 15%.
7. The payroll/premium average under estimation the MSF experiences is after applying the automatic payroll escalators to renewal payroll.
8. If the MSF is prohibited from applying the automatic escalators to renewal payrolls the under estimation of payroll will be greater.
9. Under reporting of payrolls can lead to large bills for policyholders at the end of the policy period when the actual payrolls are reported. The difference between actual payrolls and estimated payrolls generally results in additional premium due. This is compounded by the premium being billed for the renewal policy.
10. The under estimation of reported payrolls increases the collection activity by the MSF. If the MSF is prohibited from escalating payrolls through the policy renewal process, the MSF expects increased delinquent accounts, collection activity, bad debt exposure, and ultimately an increase in the amount of bad debt write-off.
11. The fiscal impact of this legislation cannot be determined.

Sponsor's Initials

Date

Budget Director's Initials

Date